

# PERFORMANCE ANALYSIS OF MARKET SHARE IN SELECTED FMCG INDUSTRIES.

**Dr.T.Jothimurugan<sup>1</sup>, S.P Nandhini<sup>2</sup>, K. Devadharshini<sup>3</sup>, S. Naveen Prasath<sup>4</sup>**

Director-MBA, K.L.N College of Engineering, Pottapalayam – 630 612, Sivagangai Dt. Tamil Nadu<sup>1</sup>

Assistant professor-MBA, K.L.N College of Engineering, Pottapalayam – 630 612, Sivagangai Dt. Tamil Nadu<sup>2</sup>

2nd year MBA, K.L.N College of Engineering, Pottapalayam – 630 612, Sivagangai Dt. Tamil Nadu<sup>3,4</sup>

**Abstract:** The study endeavours to analysis fundamental position of major listed FMCG companies using ratios. Fundamental analysis, the share price of a company is determined by all the fundamental factors. The purpose of study is HUL, COLGATE, MARICO, GODREJ and DABUR were chosen, to analysis was done using past five year computed date of price to earnings, return on equity, dividend per share, earnings per share, book value per share starting 2018. This study provides a precise presentation of data and guidelines that will help a fresh investor as well as a venture investor to know vital aspects of investing. This study helps to the investors to choose a safe investment and to identify the growth opportunities in the future.

**Keywords:** Fundamental analysis, investment.

## INTRODUCTION

Fundamental analysis is a method of evaluating a security in an attempt to measure its intrinsic value, by examining related economic, financial and other qualitative and quantitative factors. For stocks and equity instruments, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated. The fundamental analyst works on the true worth or intrinsic value; then compares this intrinsic value with the current market price. If the current market price is higher than the intrinsic value, the share is said to be overpriced & vice versa. This study provides a precise presentation of data and guidelines that will help a fresh investor as well as a venture investor to know vital aspects of investing. This study helps to the investors to choose a safe investment and to identify the growth opportunities in the future. FMCG industry is one of the major and important industries in the world. Large numbers of foreign investors are coming and investing in Indian FMCG sector due to its large potential growth in future. The scope of the study is limited to analysing the financial statements and periodical reports published by the company and the information from the journals and websites.

## STATEMENT OF THE PROBLEM:

The study will help to know what strategies the investor can adopt while trading in equity market with the help of fundamental analysis. Fundamental Analysis is the upcoming tool and helps the investor to know how the company is fundamentally strong and who want to invest in a systematic manner in the competitive world, the study reveals the importance for the investment decision which acts as guidance and helps them in decision making and predicts the figure price of the scrips.

## OBJECTIVE OF THE STUDY:

- To study the product differentiation of each company.
- To study the marketing strategy of each company.
- To study the comparative analysis of each company.

## RESEARCH METHODOLOGY:

In this paper mainly secondary data is used. Data are collected from

sources such as internet, websites of selected companies, company balance sheets, annual reports, press release etc. analysis of data is done with help of fundamental tools for selected five companies.

**SCOPE OF THE STUDY:**

The study is conducted based on the selected FMCG companies. The companies are selected with respect to their market capitalization, revenue, sales and performance.

**REVIEW OF LITERATURE**

- DynaSeng, and Jason R. Hancock, Fundamental analysis and the prediction of earnings, (2012) this paper takes fundamental analysis, research beyond the spatial and temporal bounds of previous studies. The authors here investigated how detailed financial statement data enter the decisions of market makers by examining how current changes in the fundamental signals chosen can provide information on subsequent earning changes.
- Suresh A.S. A study on Fundamental and technical analysis, (2013) provide the detail knowledge about the concept of fundamental and technical analysis. According to his study. It is highly essential for the investor to do both fundamental and technical analysis for deciding the suitable stock.
- Ahmed S.WafiHassan, and Adel Mabrouk, Fundamental Analysis Models in Financial market (2015) - review study, 2015 the major objective of this paper is an attempt to reach a better stock valuation of the fundamental analysis approach by reviewing the theoretical foundation and literature reviews.
- Slpa K S, Arya Mol J and Dr. ASambily, in their study on Fundamental Analysis of selected IT companies listed at NSE (2017). The purpose of the paper is to study the fundamental analysis for five company's scripts to recommend for better choice of investment. They also give focus to analyst the intrinsic value and forecast the future value through fundamental analysis.

**DATA ANALYSIS:**

**Economic analysis**

In economic analysis, the present performance of the economy as a whole is identified using economic factors like GDP, inflation rate, IIP, interest rate, fiscal deficit, current account deficit, unemployment rate. Table 1 depicts the five year data of economic factors from 2018 to 2022 which indeed help the investors to take better investment decision.

<b>YEAR</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>COMPOUND ANNUAL GROWTH RATE (CAGR)</b>
GDP	6.45	3.74	-6.6	8.68	7	-78.2945736
INFLATION RATE (%)	3.94	3.7	6.6	5.1	6	-69.5431472
IIP	125.3	130.1	129	118.1	137.1	-78.12
INTEREST RATE (%)	6.5	5.4	4	5.9	6.25	-88.6206897
FISCAL DEFICIT (%)	5.8	5.8	6.9	6.3	3.3	-88.6206897
CURRENT ACCOUNT DEFICIT (%)	2.1	0.9	0.9	4.4	3.3	-0.685714286
UNEMPLOYMENT RATE (%)	5.3	5.3	10.4	7.8	6.6	-75.0943396

**Table 1:** About economic factors.

Economic growth can be determined using the GDP of the country. GDP is identified as on 2018 which is 6.45. In 2019 and 2020 GDP is slightly decrease Then on 2022, GDP is 7 which is decreasing from 8.68 in 2021. As the inflation rate falls down the purchasing power of the economy increases which boast the market performance. Inflation in Indian economy is moderately slows down from 3.97 in 2018 to 3.7 in 2019. Then it decreasing from 6.6 in 2020 to 5.1 in 2021. After a decrease in 2021, the inflation rate is increases to 6 percent in 2022. Industrial production in an economy establishes productivity of the economy. Index of industrial production

increased in 2018 and 2019 after that, IIP is decreased steeply from 2020 to 2021 and increased in 2022. Interest rate determine the cost and availability of credit for companies operating in an economy. Interest rate is having a downward trend in Indian economy since 2018. It gradually increases to 5.9 percent and 6.25 percent in 2021 and 2022. Fiscal deficit is surplus if total expenditure over total receipt exclusive of borrowings during the given fiscal year. Fiscal year is increased from 2019 to 2020 and slightly decreased in 2022 which is 3.3 percent.

A current account deficit is the value of investments or services or goods imported greater than that of the value of exports. The highest current account deficit is identified as on 2021 which is 4.4 percent. After 2021, the current account deficit is seemed to be decreasing as 3.3 percent on GDP. The highest rate of unemployment rate is in 2020 i.e., 10.4 percent and after decrease in 2020 the unemployment rate is coming down in 2022

### **INDUSTRY ANALYSIS:**

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising youth population, and rising brand awareness among consumers. With household and personal care accounting for 50% of FMCG sales in India, the industry is an important contributor to India's GDP.

FMCG industry in India is expected to grow at the rate of 27.9% CAGR (Compounded Annual Growth Rate) to sum to US\$103.7 billion by 2020. The FMCG market in India is expected to increase at a CAGR of 14.9% to reach US\$ 220 billion by 2025, from US\$ 110 billion in 2020.

The Indian FMCG industry grew by 16% in CY21 a 9- year high, despite nationwide lockdowns, supported by consumption-led growth and value expansion from higher product prices, particularly for staples. The Indian processed food market is projected to expand to US\$ 470 billion by 2025, up from US\$ 263 billion in 2019-20. Fast-moving consumer goods companies posted 7.4% rise in sales in 2022, primary led by price hikes, according to data from retail intelligence platform Bizom. The industry is poised to grow at compound annual growth rate between 10 to 12 per cent annually.

### **PEST ANALYSIS OF FMCG INDUSTRY:**

#### **1. POLITICAL:**

There is pretty complicated tax structure and there is high indirect tax. As far as uniformity is concerned there is lack of uniformity also. Octroi is also high. There is entry tax and changing tax policy. The effectivity of FMCG depends on the fact that how much government spends on the agricultural infrastructure. It also depends on the power and transportation infrastructure a lot. There is requirement for multiplicity of permits and licenses for various states. There is outdated labor law. The export procedure is very tiresome. The subsidy available is very confusing and time consuming. Approval concerned to investment of FDI into Retail sector (single-brand retail & multi-brand retail, License rules in setting up of industry, Changes in Statutory Minimum Price (SMP) of commodities and priority sector classification of industry

#### **2. ECONOMICAL:**

Growth of an industry is pretty consistent with the Indian company. Inflation pressure decreases the purchasing power of money to a great extent. And the concept of inflation has a substantial impact on the spending power of consumer. This had direct impact on business investment. Increase in incomes is largely an outcome of economic growth sectors. Over the past few years, India has seen increased economic growth, with a continuing and substantial impact on consumer disposable incomes leading good growth for the FMCG sector. The Indian economy, unlike other economics, has a very high rate of private consumptions (61%). In India if we talk about rural areas, seventy % of its populations lives in rural areas. And with the rising concept of urbanization more people are getting exposed to the modern products and brands. And there is a shift to branded and packaged goods and products.

#### **3. SOCIAL:**

As there is rapid urbanization and increased literacy and per capita income is also increasing have all caused rapid growth. There is change in demand also. It leads to great demand opportunities. As a matter of fact, around 45% of the population in India is below the age of 20 years. Changing Lifestyle of Indian consumers has led to focus on premium products among Indian FMCG players. These days the market is very volatile and the lifestyle is changing with a great

pace. Earlier people used to be very traditional and they were not willing to change a great extent, they were like if they use a product than they cannot change their product. Today there are couple with single income and couple with double income. Both

have different lifestyle. Their purchasing power varies to a great extent. As market is getting saturated, companies are focusing on a rural area for penetration, by providing consumers with small sized or single use packs. These days' companies are focusing more on the rural areas a lot. They want to expand a lot in this segment to a great extent.

**4. TECHNOLOGICAL:**

Adoption of ERP (like SAP and the like.), Supply Chain Optimization tools and Business Intelligence Tools will help FMCG companies to integrate business processes across the enterprise, suppliers and customers. And with this higher productivity can be achieved to great extent. With the level of competition and sluggish growth most FMCG corporates are looking at IT to reduce money in the supply chain, and flatten the bottom-line Marketing and advertising through mobile and social media platforms. These days social network, yes social network, companies are using this social network to a great extent as an advertisement tool and it is very much effective. But right now, from cost point of view, the cost is pretty high in this ad tool.

**COMPANY ANALYSIS:**

In company analysis the financial performance of the selected companies is analysed in order to analyse the profitability of the firm. An investor should be aware of the financial performance of the company to know the risk and return associated with particular share. For the purpose of analysis various ratios such as EPS, Book Value, P/E ratio, return on equity and Dividend Per share values are used.

**EARNINGS PER SHARE:**

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. It indicates the earnings capacity of the company.

$$\text{EPS} = \frac{\text{net income} - \text{dividend payments}}{\text{weighted average the shares outstanding}}$$

YEAR	HUL	GODREJ	DABUR	MARICO	COLGATE
2018	24.2	9.78	7.7	6.3	24.76
2019	27.89	17.17	8.2	7.2	28.52
2020	31.13	11.54	8.2	8.1	30.02
2021	33.85	11.97	9.6	9	38.07
2022	37.53	14.47	9.8	9.5	39.65
CAGR	9%	8%	5%	9%	10%

**Table 2:** About earnings per share values.

**BOOK VALUE PER SHARE:**

Book value per share (BVPS) is the ratio of equity available to common shareholders divided by the number of outstanding shares. This figure represents the minimum value of a company's equity and measures the book value of a firm on a per-share basis.

$$\text{Book value per share} = \frac{\text{Shareholders' Equity} - \text{Preferred Equity}}{\text{Average number of common shares}}$$

YEAR	HUL	GODREJ	DABUR	MARICO	COLGATE
2018	32.75	61.24	24	19.55	56.05
2019	35.46	71.09	22.47	23.07	53.19
2020	37.18	77.26	25.89	23.43	58.61
2021	201.85	92.31	30.5	25.11	42.86
2022	207.49	113.01	33.17	25.92	63.78
CAGR	44.66%	13%	7%	6%	3%

**Table 3:** About book value per shares.

### PE RATIO (PRICE EARNINGS RATIO):

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

$$\text{PE Ratio} = \frac{\text{Market value per share}}{\text{Earnings per share}}$$

YEAR	HUL	GODREJ	DABUR	MARICO	COLGATE
2018	55.34	30.37	42.53	51.68	42.72
2019	60.93	30	50.09	39.98	44.13
2020	73.56	35.57	55.06	34.73	41.74
2021	71.45	43.3	56.44	45.29	40.97
2022	54.23	42.84	54.54	53.04	38.88
CAGR	0%	7%	5%	1%	-2%

**Table 4:** About PE ratio values.

### RETURN ON EQUITY:

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets.

$$\text{Return on Equity} = \frac{\text{Net income}}{\text{Average Shareholder's Equity}}$$

YEAR	HUL	GODREJ	DABUR	MARICO	COLGATE
2018	74.02	21.54	25.36	23.61	44.16
2019	78.8	35.62	31.85	32.35	53.6
2020	83.89	23.01	25.58	34.86	51.21
2021	16.76	19.25	25.63	36.44	88.8
2022	18.08	18.83	24.43	38.14	62.16
CAGR	-25%	-3%	-1%	10%	7%

**Table 5:** About return on equity values.

### DIVIDEND PER SHARE VALUE:

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time, usually a year, by the number of outstanding ordinary shares issued.

$$\text{Dividend per share value} = \frac{\text{Total Dividends Paid}}{\text{Shares Outstanding}}$$

YEAR	HUL	GODREJ	DABUR	MARICO	COLGATE
2018	19	9.5	2.7	6.25	18
2019	17	8	3	3	19
2020	14	5.5	1.6	3	18
2021	13	4.5	1.5	2.75	12
2022	12	4.5	1.25	2	11
CAGR	-9%	-14%	-14%	-20%	-9%

**Table 6:** About dividend per share values.

### VALUATION OF SHARE:

Share valuation is a technique of determining the actual worth of a company using quantitative techniques. Analysts use the company's financial information, such as current earnings and cashflows, assets, capital structure, and future cashflows, to determine the company's current value. By identifying the true value, analysts determine whether the shares of a company are overvalued or undervalued and make an investing decision. A share is considered overvalued when the market price is higher than the intrinsic value. In contrast, the shares are undervalued if the market price is lower than the intrinsic value. Undervalued shares are considered an excellent investment opportunity by value investors or people who practice value investing. Value investing is an investing strategy that involves investing in stocks lower than the intrinsic value or undervalued shares to make good returns in the long term.

RATIOS	HUL	GODREJ	DABUR	MARICO	COLGATE
Average DPR	0.15	0.064	0.0201	0.034	0.156
Average retention ratio	0.85	0.936	0.9799	0.966	0.844
Average ROE	0.5431	0.2365	0.2657	0.3308	0.59986
Growth in equity	0.461635	0.221364	0.26035943	0.3195528	0.50628184
Normalized average	0.63102	0.36416	0.51732	0.44944	0.41688
Intrinsic Value	174.4	24557.2	-34.0	465.1	-29.8
Market Value(on 28-feb-2023)	2166.25	418.5	495.95	1482.5	527.25

Source: secondary data

**Table 7:** Showing the valuation of shares.

### DECISION:

- HUL: Intrinsic value < market value, it is overvalued, so it is recommended to sell the stocks as value of share may fall in future.
- Godrej: Intrinsic value > market value, it is undervalued, so it is recommended to buy the stocks as value of share may increase in future..
- Dabur: Intrinsic value < market value, it is overvalued, so it is recommended to sell the stocks as value of share may fall in future.
- Marico: Intrinsic value < market value, it is overvalued, so it is recommended to sell the stocks as value of share may fall in future.
- Colgate: Intrinsic value < market value, it is overvalued, so it is recommended to sell the stocks as value of share may fall in future.

### FINDINGS:

- In concern with EPS, HUL, Dabur, Marico, Colgate is maintaining a constant increase whereas Godrej is showing increasing trend initially and then falls down.

- In case of price earnings ratio, HUL and Dabur are showing increasing trend in opening three years and Godrej, Marico and Colgate has a fluctuating P/E ratio.
- HUL, Godrej and Marico has a decreasing trend in dividend pay-out ratio throughout the five years. On the other hand Dabur and Colgate has a increased trend in next year and then falls down.
- Book value of HUL, Godrej and Marico are showing increasing trend throughout the last five years. Dabur and Colgate has a fluctuating book value.
- Marico is showing increasing trend in return on equity. HUL showed an increased trend in opening three years and finally declined. Godrej, Dabur and Colgate has a fluctuating ROE throughout the year.

#### **SUGGESTIONS:**

- It is recommended to buy and hold the shares of Godrej which is undervalued since their prices have a propensity to raise in the future.
- Companies could try to increase the generations of profit for providing a better return to its shareholders.
- An investor should be aware about economic condition, market condition, government policy and industrial policy etc., they should analyse both internal as well as external factors before going to invest in particular securities. The prior analysis will help to the investor to minimize risk and maximize their return.
- Investing in one share alone is not suggested as returns may not be favourable always. Investing in multiple or diversified shares reduces the risk and provides a stable returns.

#### **CONCLUSIONS:**

Fundamental analysis can be important to investor when they are looking to invest in company. If they find the financials of the company strong enough then they will invest in that company. I have done the analysis of 5 top companies of FMCG. By the following Earnings Per Share, Book Value Per Share, P/E ratio, Return on Equity ratio and dividend per share value. Fast-moving consumer items have a high turnover rate, and the market is not just big but highly competitive. HUL, Godrej, Colgate, Marico, and Dabur are among the world's major businesses competing for market share in this area. Companies like this must concentrate their efforts on marketing fast-moving consumer goods in order to persuade and attract customers to purchase their items. As a result, packing is a critical component in the manufacturing process. Secondary and tertiary packing are frequently required by logistics and distribution systems to enhance efficiency. The unit pack, often known as the primary packaging, is essential for product protection and shelf life, as well as providing customers with information and sales incentives. Because FCMGs are sold in huge quantities, they are seen as a stable source of money. This huge number of sales compensates for the poor profit margins on individual sales.

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